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Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and strengthening of the United Nations Human Settlements Programme (UN-Habitat)

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Report of the Secretary-General

Summary

The present report is submitted pursuant to paragraph 15 of General Assembly resolution 63/221. It describes the activities of the United Nations Human Settlements Programme (UN-Habitat) over the past year in implementing the outcome of the United Nations Conference on Human Settlements (Habitat II) and progress made in the institutional strengthening of the Programme.

It also identifies achievements and challenges, and charts the way forward towards achieving sustainable urban development in an increasingly urbanizing world. The report provides an overview of the outcome of the twenty-second session of the Governing Council of UN-Habitat and of the results of follow-up support to the implementation of the Habitat Agenda. In addition to approving the work programme and budget of UN-Habitat for the biennium 2010-2011, the Council took stock of the progress made in the implementation of the medium-term strategic and institutional plan as the key means of strengthening the Programme. The Council adopted guidelines on access to basic services for all and called for follow-up to be closely coordinated with the implementation of the guidelines on decentralization and the strengthening of local authorities adopted at its twenty-first session.

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An important outcome of the twenty-second session of the Governing Council were the recommendations emerging from the dialogue on affordable housing finance systems in the face of the global economic and financial crisis and climate change. As follow-up to those recommendations, the Council recommended to the General Assembly that it consider the question of convening in 2016 a third United Nations conference on housing and sustainable urban development.

The report also contains a review of progress made in the implementation of the Habitat Agenda at the global, regional and national levels, including the World Urban Forum and the recently established regional ministerial meetings on housing and urban development in Africa, Asia and the Pacific, and Latin America and the Caribbean. In addition, it provides an overview of cooperation with agencies and organizations of the United Nations system and with non-governmental organizations. Some observations on the organization's financial and budgetary matters are followed by overall conclusions and recommendations for follow-up action.

I. Introduction

1. The present report is submitted pursuant to General Assembly resolution 63/221, entitled "Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and strengthening of the United Nations Human Settlements Programme (UN-Habitat)".

II. Outcome of the twenty-second session of the Governing Council of the United Nations Human Settlements Programme

2. The twenty-second session of the Governing Council of the United Nations Human Settlements Programme (UN-Habitat) was held in Nairobi from 30 March to 3 April 2009 with the special theme "Promoting affordable housing finance systems in an urbanizing world in the face of the global financial crisis and climate change".

3. In addition to approving the work programme and budget of UN-Habitat for the biennium 2010-2011 and reviewing progress made in the implementation of the medium-term strategic and institutional plan for the period 2008-2013, the Governing Council focused on the following issues: (a) affordable housing finance systems in the face of the global economic and financial crisis and climate change; (b) strengthening the development of urban youth; (c) access to basic services for all; (d) South-South cooperation in human settlements; (e) the World Urban Forum; and (f) the governance structure of UN-Habitat.

4. The impact and consequences both of the global economic and financial crisis and of climate change have introduced new challenges and dimensions to the underlying rationale of the Habitat Agenda[1] and have brought on a new sense of urgency in the modalities of its implementation. In the face of rapid urbanization, the local or national human settlements agenda and the global environmental agenda are converging, with cities at the nexus of climate change adaptation and mitigation.

5. As a result, the Governing Council, in its resolution 22/1, recommended to the General Assembly that it consider the question of convening in 2016 a third United Nations conference on housing and sustainable urban development, so as to review, update and adopt more relevant policy recommendations to address the issues of sustainable human settlements development in a rapidly urbanizing world.

A. Affordable housing finance

6. The short-term implications and long-term impact of the current financial and economic crisis for low-income housing and infrastructure finance were the subject of formal dialogue sessions during the twenty-second session of the Governing Council. Experts concurred that the global financial crisis had been brought about in large part by poorly regulated mortgage finance systems and unscrupulous approaches to low-income housing. A key lesson learned was that Governments should realize that the housing sector was far too important to the health of the

[1] *Report of the United Nations Conference on Human Settlements (Habitat II), Istanbul, 3-14 June 1996* (United Nations publication, Sales No. E.97.IV.6), chap. I, resolution 1, annex II.

overall economy to be left to market forces alone. This, in turn, pointed to the need for Governments to adopt proactive housing policies that catered to the needs of the poor and low-income groups, and to put in place appropriate regulatory frameworks capable of preventing unbridled speculative and predatory housing financing practices.

7. Another key lesson learned was that the economic crisis had rendered the urban poor even more vulnerable than they already were. Access to decent housing and basic urban services has become the key determinant to improving health, education, gender equality and poverty reduction for the majority of the urban population in developing countries. The current crisis thus creates, more than ever before, the need for Governments to accord high priority to affordable housing and accessible urban services as key policy measures and means of attaining the internationally agreed development goals, including the Millennium Development Goals.

8. Speakers emphasized the critical role of the public sector in facilitating sustainable urbanization through supportive policies and legislation, priority budget allocations to infrastructure development and well-designed, targeted subsidies for the poor to access basic services. It was also generally recognized that the financial crisis called for innovative approaches that encouraged the involvement and leveraging of resources of all stakeholders, including international donors and agencies, private sector developers, financial and banking institutions and non-governmental and community-based organizations.

9. A recurring theme in the discussions was the difficulty of mobilizing finance at all levels, from Governments wishing to undertake slum upgrading and infrastructure development to the urban poor wanting to upgrade their housing. A range of solutions was offered, including the creation of a stable political environment to encourage long-term funding, the inclusion of housing as a priority in poverty reduction strategies, the setting up of housing funds, the adoption of complementary fiscal measures and the establishment of a new legislative and regulatory framework to support microfinance and help the poor to gain access to credit and obtain mortgages. On the supply side, new technical solutions were needed to make it easier to build low-cost housing.

10. In its resolution 22/2, the Governing Council invited all member States to consider undertaking a comprehensive assessment of the state of adequate shelter, affordable housing and related infrastructure with a view to assessing the adequacy of their national housing finance systems and regulatory frameworks in meeting the basic needs of the poor and disadvantaged segments of the population. The Council also encouraged all member States, including the regional ministerial conferences on housing and urban development, to establish sound and conducive frameworks and mechanisms to enable extended public and private investment in slum upgrading and prevention, affordable housing and urban development.

11. Also in resolution 22/2, the Governing Council requested the Executive Director of UN-Habitat to continue existing efforts, in close consultation with international and regional financial institutions, to disseminate models and knowledge about the importance of community-based pre-investment activities; to undertake appropriate monitoring and capacity-building in this regard, particularly at the municipal level; and to work with international and regional financial

institutions to promote appropriately scaled housing and infrastructure investments as a contributor to economic growth and as an important means of reducing poverty.

12. In addition, the Governing Council supported the efforts made in exploring the possibility of convening a high-level special event at the General Assembly on the issue of housing finance systems in the face of the global financial crisis. This special event should take into account, among other things, the recommendations emanating from the dialogue on affordable housing finance and climate change held at the Council's twenty-second session.

13. Member States were invited to contribute to the support and the replenishment of the UN-Habitat trust funds and other associated funds, including the experimental reimbursable seeding operations and the Slum Upgrading Facility, and programmes designed to extend assistance in the delivery of pro-poor affordable housing finance systems.

14. UN-Habitat subsequently organized a special meeting on affordable housing and housing finance in the face of the global financial crisis, as part of the Conference on the World Financial and Economic Crisis and Its Impact on Development held in New York from 24 to 26 June 2009. The meeting observed that the current financial crisis had its origins in overextended housing finance systems, in particular the so-called sub-prime mortgage instruments. While the crisis had exposed pervasive weaknesses in national and global financial systems and regulatory frameworks that needed to be urgently addressed, it also served as a potent reminder that housing was both a market product and a social good. Housing finance systems must be seen, in this context, both as a means of harnessing market forces to increase housing supply and as a means of fostering affordable housing and equitable urban development. In addressing the current economic situation and charting a path forward, human settlements must be at the forefront of sustainable development policy. There needed to be renewed commitment to the concept of sustainable human settlements; otherwise the challenges posed by the crisis would be exacerbated.

15. Presentations were made on the ongoing work of UN-Habitat to improve access to sustainable financing for affordable housing and infrastructure. That work involved promoting conducive policy frameworks, increasing financial institution activity in the sectors of affordable housing and infrastructure, creating effective local finance facilities for affordable housing, promoting community group access to finance and promoting local savings groups and savings instruments. The global financial crisis had heightened the need for financing to secure shelter and to stimulate economies affected by the crisis. The UN-Habitat experimental finance programme was modified to address the crisis through a tailored and effective approach. That included seeking out additional lending opportunities, at a scaled level, in Africa, Asia, Latin America and the Middle East; increasing partnerships with local, regional and international finance institutions; and deploying tools demonstrating the dual benefits of well-designed investments in affordable shelter. The importance of incorporating a gender perspective, a broad spectrum of insurance mechanisms and interest rates into affordable housing plans was reflected during the discussion.

B. Other partnership mechanisms and activities undertaken to attract investment in low-income housing and the supply of urban services

16. Relationships with the private sector saw a major shift in 2008 as a result of the launch of the medium-term strategic and institutional plan for the period 2008-2013. The concept moved beyond the realm of corporate social responsibility to include core business practices for sustainable urbanization. To this end, UN-Habitat enhanced its advocacy and knowledge management work and initiated new forms of partnership and cooperation at the global and country levels with, among others, international and domestic financial institutions, water utility companies and the real estate sector.

17. The first objective of such partnerships is pre-investment packaging, whereby policy reform, capacity-building and technical assistance efforts are designed to mobilize a mix of public expenditure and private investment in housing and urban development. The second objective is to show Governments and international and domestic financial institutions that business models for pro-poor housing and urban development are indeed viable and beneficial to overall economic development.

18. UN-Habitat advocacy and knowledge management work intensified under the Human Settlements Financing Tools and Best Practices Initiative. With a focus on systematically documenting asset-based approaches to community development, including cooperative approaches to housing development, social investment funds, urban community development funds, community-based housing finance initiatives and community mortgage programmes, the Initiative has strengthened research on the links between the economy and housing and between the economy and finance.

19. At the invitation of the Secretary-General, UN-Habitat launched the Global Water Operators' Partnerships Alliance, an international network of water operators, development agencies, civil society representatives and other stakeholders in the water and sanitation sector. The programme provides municipal water operators in Africa, Asia and Latin America and the Caribbean with a platform for exchanging strategies and applying best practices in the delivery of clean drinking water to informal settlements and slums.

20. With the support of the African Development Bank, the UN-Habitat Water for African Cities Programme is currently operational in 18 cities in 15 countries. The Bank's Zanzibar water and sanitation project has led to fast-track approval of loan agreements. In Kenya, considerable progress was made in assessing sanitation conditions in 26 communities in the Lake Victoria region. A recent agreement between UN-Habitat and the East African Community provides a framework for expanding collaboration in support of the Lake Victoria Region Water and Sanitation Initiative to another 15 towns in five countries, also in partnership with the African Development Bank.

21. A second memorandum of understanding was signed between UN-Habitat and the Asian Development Bank for the period 2007-2011. The memorandum envisions an additional $20 million in grant funds for raising awareness and building capacity to implement projects in preparation for follow-up investment in improving water and sanitation for Asian cities. The memorandum also reflects the Bank's commitment to invest $1 billion in the urban basic services sector with a focus on sanitation. Working in collaboration with the Bank, UN-Habitat is currently active

in 48 urban centres in China, India, the Lao People's Democratic Republic, Nepal, Pakistan and Viet Nam and will soon operate also in Indonesia. Additional funds were received in 2008 from the Government of the Netherlands for the Mekong Water and Sanitation Initiative. This initiative is being scaled up in Cambodia, the Lao People's Democratic Republic and Viet Nam.

22. During the reporting period, UN-Habitat entered into a strategic partnership with the Inter-American Development Bank. According to the memorandum of understanding signed in 2008, the Bank has a target of raising approvals of loans in the water and sanitation sector to around $1 billion. The memorandum enabled UN-Habitat to initiate a number of projects in Bolivia and Mexico in 2008.

23. Similarly, the Global Water Operators' Partnerships Alliance has mobilized a wide range of partners, including Cap-Net, the Google Foundation, the International Benchmarking Network for Water and Sanitation Utilities, the Abu Dhabi Water and Electricity Authority and the Advisory Board on Water and Sanitation of the Secretary-General, to strengthen learning and the exchange of good practices between and among water operators. The Abu Dhabi Water and Electricity Authority has agreed to establish a regional water and sanitation office within its offices in Abu Dhabi to host and further strengthen the Alliance secretariat.

24. Operational projects in the area of water and sanitation, housing and urban data management were also implemented with a number of private sector firms in partnership with the Global Housing Foundation and others.

25. In the area of public-private partnerships, UN-Habitat pursued joint activities with private sector companies to harness their capacity, know-how and technology in support of actions aimed at mitigating and adapting to climate change. Such partnerships were implemented in, inter alia, India, the Lao People's Democratic Republic and Nepal.

26. The first Habitat Business Forum was held in New Delhi in July 2009 as an outcome of the fourth session of the World Urban Forum, held in Nanjing, China, from 3 to 6 November 2008. The Forum was a joint effort of the Federation of Indian Chambers of Commerce and Industry and the China Real Estate Chamber of Commerce, under the patronage of the Government of India and co-sponsored by, inter alia, the Central Bank of India, the Building Materials and Technology Promotion Council of India, the National Housing Bank of India and the state governments of Rajasthan and Punjab. The Forum brought together leaders from the spheres of government, industry, professional associations and civil society on the theme of innovative cities. The Forum also recognized, through the Habitat Business Awards, five outstanding initiatives from the private sector in the areas of affordable land and housing, water and sanitation, the digital city, green technologies for cities, and disaster prevention, management and reconstruction.

Women's land and property rights and access to finance

27. Technical assistance and advisory services were provided to women's land access trusts in Ghana, Kenya, Uganda and the United Republic of Tanzania. Support was also provided for the formation of new land access trusts in Burundi, Ethiopia, Mozambique and Rwanda. Educational and peer-learning tours were organized for community leaders working with those new trusts. The experiences in Uganda and the United Republic of Tanzania show that a combination of credit

enhancements, community savings and technical assistance can make a significant difference in facilitating access to land and housing for the urban poor and for poor women in particular.

28. A gender equality action plan was prepared in consultation with a wide range of partners, experts and international and intergovernmental organizations. The plan was presented to and endorsed by the Governing Council of UN-Habitat at its twenty-second session. Fully compliant with the medium-term strategic and institutional plan for the period 2008-2013, the gender equality action plan will contribute to improving programme focus and alignment for coordination within and outside the United Nations system.

Improving land and property administration

29. At the seventeenth session of the Commission on Sustainable Development, UN-Habitat emphasized the need for the recognition of a range of land rights, strengthening of women's land and property rights, more effective coordination in the land sector, innovative land management, making land markets more effective and strong urban-rural linkages.

30. A set of gender evaluation criteria for large-scale land tools was launched jointly with partners during the twenty-second session of the Governing Council. The framework establishes how to judge whether a large-scale land tool or programme is sufficiently gender-responsive and equally beneficial to women and men. UN-Habitat, with the Huairou Commission and in collaboration with the International Federation of Surveyors, will pilot test the evaluation framework in 2009.

31. UN-Habitat continued to facilitate the Global Land Tool Network, a global network of more than 35 international organizations aimed at developing pro-poor and gendered land tools for securing land rights for all. Through the Network, a paradigm shift towards a pro-poor, innovative and gender-sensitive land agenda is now emerging at the global level, including the recognition of land governance concepts, strengthening of the social and technical dimensions of land and acceptance of a range of rights in providing security tenure for the poor. The Network is composed of international networks of professional groups, rural land institutions, civil society groups, training and educational institutions, other United Nations bodies and multilateral and bilateral organizations. An agreement was signed with the Central American Bank for Economic Integration to assist in and enhance innovative lending practices for affordable housing in the Central American subregion.

32. Close collaboration continued with the Pan African Land Policy Framework and Guidelines Initiative, which is being led by the African Union Commission, the Economic Commission for Africa and the African Development Bank, in collaboration with the regional economic communities, and other partners. The initiative aims to develop a framework and guidelines for land policy and land reform in Africa, with clear benchmarks and indicators for implementation. African Heads of State and Government recently adopted the Land Policy Framework and Guidelines during the thirteenth summit of the African Union, held in Sirte, Libyan Arab Jamahiriya, from 1 to 3 July 2009.

Innovative housing finance mechanisms

33. UN-Habitat continued to strengthen its catalytic role in facilitating cooperation between banks, local authorities and urban poor organizations to mobilize and package domestic capital, public investments and community savings for slum upgrading and affordable housing. Those efforts included the UN-Habitat Slum Upgrading Facility pilot programme operations in Ghana, Indonesia, Sri Lanka and the United Republic of Tanzania, where private sector loans are now an integral part of slum-dwellers' projects. These efforts were further strengthened by the launch of a number of innovative mechanisms, including the experimental reimbursable seeding operations. This facility will offer loans and credit enhancements through domestic financial institutions to stimulate private investment in housing and basic services provision to underserved populations.

34. The goal of the experimental reimbursable seeding operations is to develop innovative models to demonstrate how financing for affordable housing can be undertaken by combining the efforts of the private sector, microfinance and community organizations. By informing country policies and strategies, the lessons learned from the experiments have the potential to benefit millions of urban poor who currently lack access to formal credit facilities.

Innovative partnerships on urban safety and urban crime prevention

35. Urban safety is a key factor in enhancing local economic development and attracting both foreign and domestic investment. As part of its medium-term strategic and institutional plan, UN-Habitat in 2008 adopted a pre-investment capacity-building approach to promoting urban safety and crime prevention. This multidisciplinary approach seeks to leverage the resources and know-how of all stakeholders to improve the safety of urban spaces.

36. A safety and urban space tool network is being established and will link partner platforms supporting social investment in low-income and marginalized communities. The Police Platform for Urban Development, a collaborative effort with the Swedish National Police Board, is one example of how a platform of partners can provide support for democratic policing in urban areas, foster better involvement of communities in managing urban spaces and advance a culture of prevention in urban settings.

37. Similarly, the International Youth-led Urban Development Platform is engaging children and youth in low-income and marginalized communities as active partners in planning and decision-making in community safety and urban crime prevention. This approach typically leverages the resources of various social services, including those for safety, women, youth, the arts, culture and sports, to achieve tangible results in crime prevention in low-income neighbourhoods.

C. Cities and climate change

38. In order to facilitate greater coordination and a more concerted response to the challenges facing cities in relation to the mitigation of and adaptation to climate change, UN-Habitat established the Cities and Climate Change Initiative in parallel with the World Urban Campaign. The Initiative builds on the comparative advantages of UN-Habitat in working with local urban authorities and its expertise

in urban planning and management to support the efforts of all spheres of government to reduce the ecological footprint of cities while improving their safety and resilience to the effects of climate change.

39. The World Urban Campaign is a platform for member States and Habitat Agenda partners to disseminate policies and share practical tools for sustainable urbanization. The Campaign's objective is the implementation of more sustainable urban policies at the national level. For this reason, it focuses on providing Governments and partner networks with an advocacy instrument to articulate a shared vision for a better urban future and to advance the urban agenda within their respective constituencies.

40. The Campaign's advocacy instruments and working methodologies apply as much to organizations of the urban poor as they do to associations of local authorities, business forums, youth associations, media outlets, professional associations, women's groups, parliamentarians, ministerial conferences and intergovernmental bodies. The Campaign in this way seeks to position sustainable urbanization as a priority issue of the international community and as a national policy priority for individual member States.

41. Cognizant of the fact that cities are major contributors to greenhouse gas emissions and highly vulnerable to the effects of climate change, the Governing Council at its twenty-second session adopted two resolutions related to sustainable urbanization, one on cities and climate change and the other recommending the convening of a United Nations conference on housing and sustainable urban development in 2016. These resolutions will greatly boost the awareness of the contribution of the Habitat Agenda to the global climate change agenda and will further enhance a coordinated approach to their implementation.

42. Governments are urged to take concerted and coordinated action to include the issue of cities and climate change as an integral part of their national climate change strategies, including mitigation and adaptation measures, in view of continuing urbanization and the fact that over half of humankind lives in urban areas and is particularly vulnerable to the effects of climate change.

43. In sum, a global response is called for, involving partnerships with United Nations bodies and global networks of cities, professionals, civil society, young people, women and indigenous people. There is a need for more public information and increased awareness among young people and women, which can be achieved by using tools such as the Internet and through the arts, culture and sports. The need for greater investment in infrastructure and in research on new technologies and their application is also emphasized.

D. Review of the medium-term strategic and institutional plan for the period 2008-2013

44. Pursuant to General Assembly resolution 63/221 and the recommendations of the Governing Council at its twenty-first session, UN-Habitat prepared, in close consultation with the Committee of Permanent Representatives, an action plan for the implementation of the medium-term strategic and institutional plan for the period 2008-2013. The Committee had endorsed the action plan in December 2007

and progress reports on its implementation were submitted to the Committee throughout 2008.

45. The major outcomes included the development and approval of 33 UN-Habitat country programme documents as the first step in implementing the enhanced normative and operational framework at the country level, including in six of the eight "Delivering as One" pilot countries; the adoption of resource mobilization and branding strategies and the establishment of a resource mobilization unit to help consolidate and expand the donor base and mobilize non-conventional sources of funding and support; the formulation of policy and strategy papers for the medium-term strategic and institutional plan focus areas and of a results-based framework using SMART indicators, targets and priorities (i.e. those that are specific, measurable, achievable, relevant and time-bound); and new thresholds for delegation of authority and decentralization.

46. The adoption of a concerted approach to advocacy, partnerships and knowledge management was initiated under the World Urban Campaign. This approach was marked by the establishment of the new Cities and Climate Change Initiative and by the simultaneous launch of the *State of the World's Cities* report and the first regional report on cities in Africa at the fourth session of the World Urban Forum. This regional approach marked a new stage in advocacy and in the mainstreaming of the Habitat Agenda as part of the new World Urban Campaign.

47. Pursuant to a decision of the Governing Council at its twenty-first session, UN-Habitat launched an experimental initiative in the financing of pro-poor housing and urban development. The initiative is designed to show how it is possible to eliminate one of the largest barriers to urban poverty reduction by lowering the risks perceived by the domestic banking sector in providing housing finance for the urban poor on a sustainable basis.

48. A review of progress in the implementation of the medium-term strategic and institutional plan in mid-2009 highlighted some achievements and challenges and identified next steps. The achievements included a results framework that had improved the strategic focus and programme planning process of UN-Habitat. This framework is expected to provide an important basis for monitoring efficiency, effectiveness and accountability and, not least, for contributing to programme coherence.

49. The challenges identified included inadequate development of supportive business processes reflected in as-yet inadequate delegation of authority in financial and human resources areas; non-institutionalization of performance measurement, monitoring and reporting systems; difficulties in aligning the organizational structure approved by the General Assembly with the plan's focus areas; and the continuing imbalance between non-earmarked and earmarked funding and reliance on a small number of donors.

50. Suggested next steps included the clear allocation of roles, responsibilities and accountabilities tied to timelines; aligning of staff competencies with the plan's priorities; improvement of efficiency, transparency and delegation of authority; and a review of institutional governance. Particular attention would also have to be paid to results-based management capacity-building to sustain planning, monitoring, evaluation, reporting and improved accountability.

Urban youth development

51. The results of a survey on youth-led development initiatives and 200 peer-reviewed good practices in youth-led development from around the world were disseminated at the fourth session of the World Urban Forum. The Opportunities Fund for Urban Youth-led Development was launched on the same occasion. The Fund is designed to provide small grants to youth-led initiatives in skills development. The procedures and criteria to be used for approving support have been prepared and widely shared with Habitat Agenda partners interested in urban youth issues.

52. In recognition of the work of UN-Habitat in addressing the needs of youth living in urban slums and deprived neighbourhoods, the Governing Council of UN-Habitat at its twenty-second session called for a coordinated approach by relevant United Nations agencies, funds and programmes and other interested parties to support skills development initiatives for youth.

Access to basic services for all

53. Pursuant to resolution 21/4 of its Governing Council, UN-Habitat established a group comprised of experts and a wide range of stakeholders to solicit further input to the draft guidelines on access to basic services for all that had been presented to the Council at its twentieth session. Stakeholders included United Cities and Local Governments and representatives of Governments, public and private service providers and civil society organizations. Representatives from relevant United Nations bodies and regional and international financial institutions also participated actively in the work of the group. A series of regional consultations culminated with a global meeting held in conjunction with the fourth session of the World Urban Forum.

54. In its resolution 22/8, the Governing Council encouraged Governments and partners to provide institutional, technical and financial support to enable UN-Habitat to promote the implementation of the guidelines on access to basic services for all in complimentarity with the implementation of the guidelines on decentralization. It also encouraged Governments, according to their circumstances, to promote sustainable criteria in planning and construction while taking into account access to clean and safe drinking water, adequate sanitation, urban services, sustainable waste management and sustainable transport. It further requested the Executive Director of UN-Habitat, in close cooperation with member States and other relevant stakeholders, to prepare an assessment of the implementation and complementarity between the guidelines on decentralization and the guidelines on access to basic services and to report to the Council at its twenty-third session on the progress made in the implementation of the resolution.

Governance structure of UN-Habitat

55. In the spirit of General Assembly resolution 63/221, and in particular with regard to the need to strengthen institutional reform and the pursuit of management excellence, including results-based management, the Governing Council discussed the efficiency and effectiveness of the governance structure of UN-Habitat, as set out in document HSP/GC/22/2/Add.3.

56. In its resolution 22/5, the Governing Council requested the Executive Director and the Committee of Permanent Representatives to undertake jointly, within the work programme and budget, an examination of the governance of UN-Habitat with a view to identifying and implementing ways to improve the transparency, accountability, efficiency and effectiveness of the existing governance structure and to identify options for any other potential relevant changes for consideration by the Council at its twenty-third session.

III. Global and regional consultative processes

A. World Urban Forum

57. The fourth session of the World Urban Forum was held in Nanjing, China, from 3 to 6 November 2008, under the theme "Harmonious urbanization: the challenge of balanced territorial development". The theme was broken down into the following six sub-themes, which provided the main focus for the four-day session: "Territorial balance in urban development"; "Promoting social equity and inclusiveness"; "Making cities productive and equitable"; "Harmonizing the built and natural environments"; "Preserving the historical roots and soul of the city"; and "A city for all generations". The Council welcomed the offer of the Government of Brazil to act as host to the fifth session of the World Urban Forum, in Rio de Janeiro, to be held in March 2010. The theme of the fifth session would be "The right to the city: bridging the urban divide".

58. The quest for innovative ideas and practical solutions in respect of the theme and sub-themes was evident in the 6 dialogues, 8 round-table discussions and more than 140 networking events and seminars that took place in Nanjing. Ministers, mayors, academics, community-based organizations, professional associations, non-governmental organizations and members of the private sector shared insights and experiences on what would improve the quality of life in the world's growing cities. The inclusive approach adopted at the Forum and in the discussions among partners represents a model for the future development of cities. Lessons learned from the success of the Forum in mobilizing Habitat Agenda partners as well as new partners to engage in dialogue and the sharing of good policies and best practices have been incorporated in the strategy of the World Urban Campaign.

59. At its twenty-second session, the Governing Council, recognizing that the World Urban Forum had become the premier global event on housing and sustainable urban development issues, called for a certain number of measures to be taken so as to maintain the momentum of the Forum, to firmly anchor the Forum within the formal United Nations calendar of meetings and to strengthen the synergy between the outcomes of the Forum and the medium-term strategic and institutional plan.

B. Flagship reports

60. In both developed and developing countries, cities and towns are increasingly influenced by globalization and the effects of climate change. Both these mega-trends bring about significant economic, demographic and spatial changes that are reshaping towns and cities, both physically and socially. To document and

analyse those phenomena at a regional level, preparations are under way to produce the first regional report on the state of cities in Latin America and the Caribbean, in partnership with the Cities Alliance, ministries of housing and urbanism and the Latin American Federation of Cities, Municipalities and Associations (FLACMA). This publication is expected to be launched at the fifth Session of the World Urban Forum, in March 2010.

61. UN-Habitat has signed a partnership agreement with the Central American Council of Housing and Human Settlements (CCVAH) to assist in knowledge management to strengthen the exchange and transfer of best practices. At a meeting held in May 2009, a comprehensive subregional strategy was adopted to implement a joint initiative for low-income housing development, backed by the Central American Bank for Economic Integration.

62. Both flagship reports of UN-Habitat produced during the reporting period address these and other issues. The *State of the World's Cities Report 2008-2009: Harmonious cities*[2] in intended to enhance the understanding of the dynamics shaping the world's cities. The report includes (a) an analysis of the determinants of urban growth and decline and the consequences of asymmetrical regional development and rural-urban disparities; (b) an analysis of income and consumption inequality at the city level and degrees of shelter deprivation in various cities and how they adversely affect social and economic development; and (c) as part of the cities and climate change debate, the presentation of key data on energy consumption at the city and household levels and an analysis showing which cities and urban populations will be most at risk from rising sea levels.

63. *Planning Sustainable Cities: Global Report on Human Settlements 2009*, to be released in late 2009, reviews the major challenges facing cities and towns all over the world, the emergence and spread of modern urban planning and the effectiveness of current approaches. More importantly, the report identifies innovative urban planning approaches and practices that are more responsive to current and future challenges of sustainable urbanization.

64. As part of finding a new role for urban planning in sustainable urbanization, the report contains suggestions on a number of fundamental changes. Firstly, governments at both the central and local levels should increasingly take on a more central role in cities and towns. This, to a large extent, is in response to the current global economic crisis, which has exposed the limits of market mechanisms working alone. Secondly, a reformed urban planning approach will have to pay greater attention to small and medium-sized cities, especially in developing countries, where planning often focuses on larger cities. Thirdly, reformed urban planning systems must unequivocally address a number of major current and emerging urban challenges, especially climate change, rapid urbanization and its consequences of increasing urban poverty and informality, mega-urban regions, urban safety and post-disaster and post-conflict situations. Finally, capacity to enforce urban planning and development regulations, which is seriously lacking in many developing countries, should be given high priority and should be developed on the basis of realistic standards.

[2] United Nations publication, Sales No. E.08.III.Q.1.

C. Regional ministerial meetings

65. UN-Habitat assisted in the preparation of the substantive background documents for the second African Ministerial Conference on Housing and Urban Development, which was held in Abuja from 28 to 31 July 2008. The Conference theme was "Goal 7, target 11: overcoming the finance and resource challenges for sustainable housing and urban development". The Conference adopted the Abuja Resolution and an action plan providing guidelines on financing for housing, slum upgrading and urban development in general.

66. UN-Habitat also facilitated the deliberations of a working group on the delivery of the Millennium Development Goals on water and sanitation during the second Asia-Pacific Ministerial Conference on Housing and Urban Development, which was held in Tehran in May 2008 and led to the adoption of an action plan.

67. In addition, UN-Habitat assisted in the preparatory process and organization of the seventeenth Regional Meeting of Ministers and High-level Authorities of the Housing and Urban Development Sector in Latin America and the Caribbean (MINURVI) and the thirteenth Ibero-American Forum of Housing and Urban Development Ministers and High-level Authorities, held in El Salvador in September 2008.

D. South-South cooperation in human settlements

68. The Governing Council deliberated on the significant potential of South-South cooperation. In this context, the Council welcomed the criteria established for the country-level activities of UN-Habitat, including the deployment of UN-Habitat programme managers and the progress made in the elaboration of UN-Habitat country programme documents. It also requested UN-Habitat to make use of the experience, expertise and centres of excellence existing in several countries of the South to help in the implementation of its work programme. It further urged UN-Habitat to contribute to the report of the Secretary-General to the forthcoming United Nations conference on South-South cooperation and to participate in that conference, and to facilitate the organization of a dialogue on South-South cooperation at the next session of the World Urban Forum.

69. Governments and relevant organizations were urged to provide financial resources to UN-Habitat for the purpose of further facilitating South-South cooperation in achieving sustainable urban development through capacity-building, policy advice and promoting horizontal learning among developing countries in line with the focus areas of the medium-term strategic and institutional plan, including through the best practices database.

IV. Cooperation with agencies and organizations within the United Nations system, intergovernmental organizations outside the United Nations system and non-governmental organizations

70. A joint progress report of the executive directors of UN-Habitat and the United Nations Environment Programme was presented to the Governing Council outlining

areas of cooperation and coordination between the two bodies. This cooperation included development of a new partnership framework for the period 2008-2013 and a joint implementation plan focusing on cities and climate change, waste management and outreach activities.

71. Cooperation with the United Nations Development Programme in numerous country-level programme activities was underlined, as was full participation by UN-Habitat in six of the eight "Delivering as One" pilots to ensure alignment of country-level programming with national development priorities.

72. UN-Habitat cooperates with the International Labour Organization and other bodies in promoting decent work and full employment for poverty eradication. UN-Habitat has contributed to the draft United Nations system-wide plan of action for poverty eradication through full employment and decent work commissioned by the High-level Committee on Programmes. UN-Habitat also produced a self-assessment report on mainstreaming the goals of full and productive employment and decent work.

73. UN-Habitat continued its collaboration with the Office of the United Nations High Commissioner for Human Rights in the joint implementation of the United Nations Housing Rights Programme. The Programme made progress on the development of housing rights indicators and documentation of national housing rights legislation. Under the Programme, UN-Habitat collaborated with the Centre on Housing Rights and Evictions in producing the *Housing and ESC Rights Law Quarterly*, a widely used advocacy tool in the area of housing, economic, social and cultural rights.

74. UN-Habitat renewed the membership of the Advisory Group on Forced Evictions to the Executive Director of UN-Habitat. Members include experts from key Habitat Agenda partners, such as the Asian Coalition for Housing Rights, the Centre on Housing Rights and Evictions, Environment and Development Action: ENDA-Tiers Monde, the Habitat International Coalition, the International Alliance of Inhabitants and Slum Dwellers International. The Advisory Group co-organized, with the Institute for Housing and Urban Development Studies, the Centre on Housing Rights and Forced Evictions and the Huairou Commission, a training event on alternatives to forced eviction at the fourth session of the World Urban Forum. Fact-finding missions were undertaken to seven towns and cities in five countries in which large-scale forced evictions had been reported, and recommendations were addressed to UN-Habitat and other stakeholders for follow-up action.

75. UN-Habitat cooperated with the Permanent Forum on Indigenous Issues and contributed to the activities of the Inter-Agency Support Group on Indigenous Issues. UN-Habitat has spearheaded an urban policy guide initiative to add an urban component to the more generic guidelines on indigenous peoples developed by the United Nations Development Group task team for mainstreaming and integrating indigenous issues in United Nations operational activities. The initiative aims to provide guidance to policymakers, urban managers and practitioners on the needs and specific challenges of indigenous peoples living in urban areas. UN-Habitat launched its policy guide to housing for indigenous peoples at the eighth session of the Permanent Forum.

76. Cooperation with the United Nations Office on Drugs and Crime on issues of urban safety and crime prevention continued in the areas of monitoring and

advocacy, policy and institutional reform, pre-investment capacity-building and tools development. The tools developed included a joint assessment tool on crime prevention, victimization surveys, a handbook on the role of police and urban space and a handbook on sports as a tool for crime prevention, with an initial focus on Africa in preparation for the 2010 World Cup in South Africa.

77. Cooperation with the United Nations Development Fund for Women included the promotion of safe cities free of violence against women and girls as a means of mainstreaming gender equality at the local governance level with a view to achieving the goals and targets of Millennium Development Goal 3, on gender equality, and Millennium Development Goal 7, on environmental sustainability. UN-Habitat participated in the work of the Inter-American Coalition for the Prevention of Violence in order to enhance a coordinated multilateral response to violence prevention issues in urban contexts in the Americas.

V. Financial and budgetary matters

78. The draft work programme and budget for the biennium 2010-2011 was presented to the Governing Council, together with the related report of the Advisory Committee on Administrative and Budgetary Questions. The Council approved the proposed work programme and budget. It also approved the general-purpose budget of $66,190,500 and endorsed the special-purpose budget of $95,717,700 for the biennium 2010-2011 detailed in the proposed work programme and budget for 2010-2011. It further approved an increase in the general-purpose statutory reserve from $3,279,500 to $6,619,500.

79. The revised appropriation of the regular budget for 2008-2009 reflects an increase of 55 per cent over the appropriations of 2002-2003. UN-Habitat recalled General Assembly resolutions 56/205 and 56/206 and subsequent resolutions on the strengthening of UN-Habitat, including resolution 62/198, in which the Assembly called for increased funding to support the activities undertaken by the organization; UN-Habitat has been submitting proposals for increased funding in response to those resolutions. However, the regular budget has not been able to accommodate the proposals submitted by the organization. In addition, the planning figure provided as the ceiling for all the respective biennium budget submissions limits the level of funding increases submitted by the organization. Regular budget funds represent approximately 7 per cent of the total UN-Habitat budget. In 2008, regular budget funding stood at $9.5 million, while UN-Habitat general-purpose (non-earmarked) contributions amounted to $20 million. Special-purpose contributions earmarked for specific programme and project activities for the same year totalled $133.2 million. There is a continued imbalance between earmarked and non-earmarked contributions.

80. Adequate, stable and predictable funding, preferably through multi-year financing, would help to reduce the volatility of extrabudgetary contributions and enable the organization to plan effectively for the delivery of its approved work programme and the implementation of the medium-term strategic and institutional plan for the period 2008-2013. UN-Habitat made significant efforts in developing a results framework as part of the plan's preparation in order to foster the principles of results-based management and also to enable the linking of resources to strategic results. Governments are encouraged to consider providing more flexible, "soft"

earmarked funding mechanisms aligned with the approved focus areas of the plan. This will enable the organization to systematically prioritize focusing on the expected accomplishments highlighted in the results framework that has been developed as a road map for the implementation of the plan.

VI. Conclusions and recommendations

81. The global economic and financial crisis has had negative ramifications for practically all dimensions of human settlements development and management. The impact of the crisis has been particularly serious on the poor and low-income groups of society, whose capacity to access decent housing, secure tenure and basic urban services has been significantly impaired. The crisis has also had a negative impact on the budgetary priority that Governments are able to allocate to housing and sustainable urban development.

82. The dialogue on the special theme "Affordable housing finance in the context of current global economic crisis" at the twenty-second session of the Governing Council extensively explored these issues and their ramifications. Participants identified opportunities arising from the challenges posed by the crisis that could serve as a springboard for the development of innovative mechanisms to promote affordable housing.

83. The role of the public sector was deemed paramount in facilitating sustainable urbanization through the adoption of supportive policies and regulatory frameworks that encouraged the setting up of housing funds and microfinance systems to help the poor gain access to credit.

84. The involvement of all stakeholders in these endeavours was underlined, including private sector developers, international, regional and domestic financial institutions, non-governmental and community-based organizations, and international organizations and agencies.

85. **The Governing Council underscored the centrality of the affordable housing finance issue by inviting all member States to assess the adequacy of their respective housing and related infrastructure policies to meet the needs of their populations, in particular of the urban poor and other vulnerable groups.**

86. **Bearing in mind General Assembly resolution 63/221, in which the Assembly invited the Governing Council to keep under review developments in the housing finance systems in view of the current financial crisis, the Council expressed its support for convening a high-level special event at the sixty-fourth session of the Assembly on the issue of housing finance systems in the face of the global financial crisis.**

87. **It is acknowledged that cities are one of the major contributors of greenhouse gas emissions. Cities therefore have a key role to play in climate change mitigation by promoting energy efficiency through more appropriate land-use planning, more efficient urban management and green building practices.**

88. **At the same time, the vulnerability of cities to the effects of climate change is a critical issue of concern. The importance of creating awareness of the implications of climate change for all aspects of human living cannot be overemphasized. As in the case of the financial crisis, those who contribute the**

least to the problem, namely the urban poor, are those who are the most severely affected by it. Such trends, within the context of a rapidly urbanizing world, point to a defining moment in the convergence of the human settlements and environmental agendas and the need to bridge what has been long perceived as two distinct arenas for policy and action.

89. **The present report identifies several areas of follow-up action at different levels. These include the need for Member States to assess the effectiveness of their respective policies in the areas of pro-poor housing and urban development and the need to integrate affordable housing and housing finance as a key means of attaining internationally agreed development goals, including the Millennium Development Goals.**

90. **The key recommendation lies, however, in follow-up at the global level and the need to bridge the architecture and the modalities of follow-up and implementation for sustainable development. This recommendation is based on the acknowledgement that, in a rapidly urbanizing world, attaining the goal of sustainable development increasingly depends on sustainable urbanization. In practical terms, this means that sustainable development will ultimately depend on the quality of city management and planning and the effectiveness of adaptation to and mitigation of the effects of climate change.**

91. **The General Assembly is thus invited to consider convening in 2016 a United Nations conference on housing and sustainable urban development (Habitat III) whose objective would be to review, formulate and adopt updated policies, strategies and approaches to address more effectively the evolving challenges of sustainable urbanization and urban development.**

92. **Considerable progress has been made in implementing the UN-Habitat medium-term strategic and institutional plan for the period 2008-2013. The plan calls for a series of reforms and innovations until 2013 that require a systematic and coordinated approach to programme alignment and cohesion, the improvement of business practices and human resources. Such an approach requires predictable funding, without which improvements can only be made in a piecemeal and intermittent manner.**

93. **Predictable funding, especially on a multi-year framework agreement basis, as was recently agreed with two donors, has proved to be a good way forward and Governments in a position to do so are encouraged to enter into similar agreements that allow the secretariat to plan ahead and prioritize its work in a rational manner and thus realize the anticipated gains in efficiency, accountability and transparency.**

94. **In the face of the challenges resulting from rapid and chaotic urbanization and climate change, UN-Habitat has launched two new initiatives: the World Urban Campaign and the Cities and Climate Change Initiative. These two initiatives, together with the World Urban Forum, will spearhead global advocacy for more sustainable urbanization and provide a coordinated and concerted approach to policy dialogue and development at the global, regional and country levels. In line with the resolutions adopted on this matter, Member States are invited to establish broad-based national Habitat platforms or committees to play an active role in the World Urban Campaign.**